nn Allied Grape Growers A Wine Grape Growers Association Serving California
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July 26, 2005 Comment 19

Mr. John Manfreda, Administrator
Alcohol & Tobacco Tax and Trade Bureau
U.S. Treasury
1310 G Street, NW
Washington D.C. 20220

Re: TTB Notice 49 - Petition to amend 27 CFR, sec. 4.27 (vintage date regulations)

Dear Administrator Manfreda:

It is our understanding that the Tax and Trade Bureau is currently considering public comment regarding TTB Notice 49, an amendment to "27 CFR, sec. 4.27", regarding vintage date regulations and requirements for wine labeling in the United States. As you know, the Wine Institute is petitioning for this change. For the record, Allied Grape Growers supports the change to this section of wine law as proposed by the Wine Institute petition.

Allied Grape Growers is a California winegrape growers association representing nearly 600 growers and 250,000 tons of grapes statewide. We negotiate with nearly 100 wineries and other grape buyers annually, on behalf of our growers, for the effective and equitable marketing of their grapes. Allied Grape Growers has followed the vintage date discussion closely within the last year and feel our growers have a large stake in the final ruling. We support the change to 85% vintage dating as proposed by the Wine institute petition for the following reasons:

- Current regulation creates an uneven competitive environment, favoring wines from countries with a lower vintage date percentage requirement. This imbalance grants economic and technological advantages to those wineries, and the growers who supply them, situated in a country that has lower vintage date percentage requirements.
- Consumers are already exposed, without their awareness, to uneven vintage date standards. Consumers already purchase wines that are produced with an 85% vintage date requirement when they purchase wines from Australia, Spain, and certain EU countries. Even though our laws call for 95% vintage dating, we believe TTB is unable to effectively enforce the rule on foreign wineries. It is very likely that foreign wine imported into the U.S. does not meet the current 95% vintage date requirement.
- When making "everyday" wines, where consistency of flavor and mouth feel is desirable between years and where a large proportion of the global wine market exists, there is considerable winemaking advantage in being able to use either a younger or an older wine in a blend. Without this opportunity, U.S. wineries are placed at a competitive disadvantage in the global market because they are less able to make wines of consistent quality at an attractive price as compared to other countries with a lower vintage date percentage requirement.

- Improved taste due to more flexibility in blending leads to higher quality, which increases a winery's demand for grapes, hence benefiting our growers through improved grower returns. In the end, a successful winery will not lose its demand for winegrapes, and in fact, the demand will be higher because the wine will be of better quality.

The bottom line is that the proposal seeks to establish baseline vintage date percentage levels that are consistent with the global marketplace. Wineries are not precluded from maintaining the current 95% vintage date percentage requirement or even using 100% from a specific harvest year, and mentioning this fact in labeling and advertising.

As a grower group, we are aware of the "fear" expressed by some growers that a winery's enhanced ability to blend vintages would cause a decrease in the demand for grapes. This "fear" is based on the notion that grape buyers could blend in additional wine in a "short" vintage to prevent grape demand and pricing from "peaking". However, if this were the case, then the opposite would also hold true. Specifically, in a larger crop year, the downward market pressure would not be so severe because the grape buyers would know they can "blend out" a portion of that vintage's supply into neighboring vintages? To believe in first notion, but not the opposite notion, implies that basic economics do not apply in the winegrape market.

Overall, we believe that the net effect on the grape market of the vintage date change from 95% to 85% will be that the severity of price "peaks" and "valleys", based on annual crop size, will be moderated. This should be a good thing for growers and vintners alike by providing a stabilizing effect in the marketplace. Further, if the vintage date change allows wineries to be more competitive in the global marketplace, it will translate into increased sales and therefore increased demand for grapes from grape growers like us.

Once again, please note Allied Grape Growers' support for the proposed change in vintage date regulation that will allow wineries to move from a 95% blend of the vintage stated to 85% for State and County Appellations. Thank you for your consideration of our input, and please feel free to contact us with any questions.

Sincerely

Nat DiBuduo
President